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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1992

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

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Commission file No. 1-9030

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## ALTEX INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

| Delaware | 84-0989164 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| 1430 Larimer Street, Suite 201 Denver, Colorado | 80202 |
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code: (303) 534-2667

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days Yes X No ___

Number of shares outstanding of Issuer's Common Stock as of July 23, 1992: 16,355,989.

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INDEX TO EXHIBITS - NONE

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

## ALTEX INDUSTRIES, INC. AND SUBSIDIARIES

### Consolidated Balance Sheets

| | June 30, 1992 (Unaudited) | September 30, 1991 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 703,000 | 844,000 |
| Receivables | 198,000 | 182,000 |
| Investment in put options on crude oil futures | 26,000 | – |
| Other | 7,000 | 5,000 |
| Total current assets | 934,000 | 1,031,000 |
| Property and equipment, at cost | | |
| Proved oil and gas properties (successful efforts method) | 4,375,000 | 4,300,000 |
| Unproved mineral properties | 1,942,000 | 1,942,000 |
| Other | 209,000 | 209,000 |
| | 6,526,000 | 6,451,000 |
| Less accumulated depreciation, depletion, amortization, and valuation allowance | (5,873,000) | (5,777,000) |
| Net property and equipment | 653,000 | 674,000 |
| | $ 1,587,000 | 1,705,000 |
| **Liabilities and Stockholders' Equity** | | |
| Current liabilities: | | |
| Current installments of obligations under capital leases | $ – | 8,000 |
| Accounts payable | 52,000 | 72,000 |
| Accrued expenses | 110,000 | 160,000 |
| Total current liabilities | 162,000 | 240,000 |
| Obligations under capital leases, excluding current installments | – | 19,000 |
| Total liabilities | 162,000 | 259,000 |
| Stockholders' equity: | | |
| Preferred stock, $.01 par value. Authorized 5,000,000 shares, none issued | – | – |
| Common stock, $.01 par value. Authorized 50,000,000 shares, issued 20,392,625 shares | 204,000 | 196,000 |
| Additional paid-in capital | 14,771,000 | 14,706,000 |
| Accumulated deficit | (12,847,000) | (12,888,000) |
| Treasury stock, at cost, 4,036,636 shares at June 30, 1992 and 3,435,366 shares at September 30, 1991 | (480,000) | (418,000) |
| Note receivable from stockholder | (223,000) | (150,000) |
| | 1,425,000 | 1,446,000 |
| | $ 1,587,000 | 1,705,000 |

See accompanying notes to consolidated, condensed financial statements.

## ALTEX INDUSTRIES, INC. AND SUBSIDIARIES
### Consolidated Statements of Operations
### (Unaudited)

| | Three Months Ended June 30 | | Nine Months Ended June 30 | |
|---|---|---|---|---|
| | 1992 | 1991 | 1992 | 1991 |
| Revenue: | | | | |
| Oil and gas sales | $ 350,000 | 244,000 | 904,000 | 911,000 |
| Loss from hedging activities | (11,000) | (8,000) | (17,000) | (2,000) |
| Interest income | 11,000 | 14,000 | 38,000 | 47,000 |
| Other income | 2,000 | 24,000 | 2,000 | 107,000 |
| | 352,000 | 274,000 | 927,000 | 1,063,000 |
| Costs and expenses: | | | | |
| Lease operating expense | 115,000 | 118,000 | 394,000 | 305,000 |
| Production taxes | 34,000 | 33,000 | 104,000 | 125,000 |
| Exploration and abandonments | – | – | 7,000 | 3,000 |
| General and administrative | 112,000 | 94,000 | 267,000 | 242,000 |
| Interest | 6,000 | – | 9,000 | 4,000 |
| Depreciation, depletion, and amortization | 35,000 | 45,000 | 105,000 | 132,000 |
| | 302,000 | 290,000 | 886,000 | 811,000 |
| Earnings (loss) before income taxes | 50,000 | (16,000) | 41,000 | 252,000 |
| Income tax expense | – | – | – | 5,000 |
| Net earnings (loss) | $ 50,000 | (16,000) | 41,000 | 247,000 |
| Earnings (loss) per share of common stock | * | * | * | $0.02 |
| Weighted average shares outstanding | 16,309,590 | 16,292,914 | 15,854,961 | 16,454,599 |

*Amount is less than $.01 per share.

See accompanying notes to consolidated, condensed financial statements.

## ALTEX INDUSTRIES, INC. AND SUBSIDIARIES
### Consolidated Statements of Cash Flows
### (Unaudited)

| | Nine Months Ended June 30 | |
|---|---|---|
| | 1992 | 1991 |
| Cash flows from operating activities: | | |
| Net earnings | $ 41,000 | 247,000 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | |
| Depreciation, depletion, and amortization | 105,000 | 132,000 |
| Gain on sale of assets | – | (1,000) |
| Decrease (increase) in receivables | (16,000) | 62,000 |
| Increase in other current assets | (28,000) | (12,000) |
| Decrease in accounts payable and accrued expenses | (70,000) | (123,000) |
| Net cash provided by operating activities | 32,000 | 305,000 |
| Cash flows from investing activities: | | |
| Proceeds from sale of assets | – | 1,000 |
| Capital expenditures | (84,000) | (93,000) |
| Net cash used in investing activities | (84,000) | (92,000) |
| Cash flows from financing activities: | | |
| Acquisition of treasury stock | (62,000) | (58,000) |
| Principal payments under capital lease obligations | (27,000) | (6,000) |
| Net cash used in financing activities | (89,000) | (64,000) |
| Net increase (decrease) in cash and cash equivalents | (141,000) | 149,000 |
| Cash and cash equivalents at beginning of period | 844,000 | 621,000 |
| Cash and cash equivalents at end of period | $ 703,000 | 770,000 |

See accompanying notes to consolidated, condensed financial statements.

**ALTEX INDUSTRIES, INC. AND SUBSIDIARIES**
**Notes to Consolidated, Condensed Financial Statements**
**(Unaudited)**

**Note 1 - Financial Statements**

In the opinion of management, the accompanying unaudited, consolidated, condensed financial statements contain all adjustments necessary to present fairly the financial position of the Company as of June 30, 1992, its cash flows for the nine months ended June 30, 1992, and 1991, and its results of operations for the three and nine months ended June 30, 1992, and 1991. Such adjustments consisted of only normal recurring items.

Certain reclassifications have been made to the financial statements for the three and nine months ended June 30, 1991, to conform with the classifications used in the financial statements for the three and nine months ended June 30, 1992. The results of operations for the periods ended June 30 are not necessarily indicative of the results for the full year.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. The accounting policies followed by the Company are set forth in Note 1 to the Company's consolidated financial statements contained in the Company's 1991 Annual Report on Form 10-K, and it is suggested that these consolidated, condensed financial statements be read in conjunction therewith.

**Note 2 - Net Earnings Per Share**

Computation of earnings per share is based upon the weighted average number of shares of Common Stock outstanding in the period. Shares issuable upon exercise of stock options are excluded from the computation since the effect is immaterial.

**Note 3 - Income Taxes**

Because the expected benefits of the utilization of net operating loss carryforwards and investment tax credit carryforwards offset any regular income tax, the income tax expense recorded reflects the Company's estimated alternative minimum tax.

The Financial Accounting Standards Board Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," (SFAS No. 109) requires that deferred income tax balances be adjusted to and maintained at statutory tax rates in effect when the taxes are expected to be paid. Under current accounting requirements, deferred income taxes are recorded at tax rates in effect when the associated timing differences arise. Currently, the Company is required to adopt SFAS No. 109 no later than for the Company's fiscal year ending September 30, 1994. The Company will adopt the provisions of SFAS No. 109 as required and does not anticipate any significant effects on future financial statements as a result of adopting such provisions.

**Item 2. Management's Discussion And Analysis Of Financial Condition And Results Of Operations**

**Liquidity and Capital Resources**

Current assets decreased 9% from $1,031,000 at September 30, 1991, to $934,000 at June 30, 1992; current liabilities decreased 33% from $240,000 at September 30, 1991, to $162,000 at June 30, 1992; and the current ratio increased from 4.3 to 1 at September 30, 1991, to 5.8 to 1 at June 30, 1992. The Company has hedged its production through December 1992 by buying put options on crude oil futures. In March 1992 the Company's indirectly wholly-owned subsidiary Altex Minerals, Inc. ("AMI") purchased fractional working interests in 10 wells for $75,000 cash, and in the quarter ended June 30, 1992 ("Q392"), the Company retired all of its obligations under capital leases. Cash provided by operating activities decreased from $305,000 for the nine months ended June 30, 1991, to $32,000 for the nine months ended June 30, 1992, principally because net earnings decreased from $247,000 in the nine months ended June 30, 1991, to $41,000 in the nine months ended June 30, 1992. With the exception of the Company's intention to acquire producing oil and gas properties, and cash flows that may result from such acquisitions, management knows of no trends, demands, commitments, events,

or uncertainties that will result in, or are reasonably likely to result in, a material increase or decrease in the Company's liquidity or capital resources. Except for cash generated by the operation of the Company's producing oil and gas properties, asset sales, or interest income, the Company has no unused internal or external sources of liquid assets other than its working capital. At June 30, 1992, the Company had no material commitments for capital expenditures.

**Results of Operations**

Although average prices increased by 2% from Q391 to Q392, revenue from oil and gas sales increased 43% from $244,000 in Q391 to $350,000 in Q392 because of production increases that resulted from the Company's acquisition of fractional working interests in 10 wells in March 1992 and from various workovers which occurred principally in the six months ended March 31, 1992. Revenue from oil and gas sales decreased 1% from $911,000 in the nine months ended June 30, 1991, to $904,000 in the nine months ended June 30, 1992. This decrease resulted from a 17% decrease in average prices in the nine months ended June 30, 1992, as compared to the prices prevailing in the nine months ended June 30, 1991, which was partially offset by increased production from the Company's acquisition of fractional working interests in 17 wells effective December 31, 1990, and in 10 wells in March 1992, and as a result of the various workovers which occurred in the six months ended March 31, 1992. Other income in Q391 consisted of $24,000 in revenue that had been held in suspense by operators of properties in which the Company's wholly-owned subsidiary, Altex Oil Corporation ("AOC"), owns an interest. Also included in other income for the nine months ended June 30, 1991, is an additional $21,000 in revenue that had been held in suspense by a former operator of a property in which AOC owns an interest as well as $47,000 relating to a liability for which AOC was no longer liable and $12,000 relating to assessments for production taxes and related penalties and interest for which AOC was also no longer liable.

Lease operating expense increased 29% from $305,000 in the nine months ended June 30, 1991, to $394,000 in the nine months ended June 30, 1992, because of unusually high workover expense in the six months ended March 31, 1992. In Q392 the Company paid its President a bonus of approximately $25,000 relating to fiscal 1991. Excluding the bonus, general and administrative expense declined 7% from $94,000 in Q391 to $87,000 in Q392, and remained constant at $242,000 in the nine months ended June 30, 1991 and 1992. The Company recognized $5,000 in interest expense when it retired its obligations under capital leases in Q392. Depreciation, depletion, and amortization expense decreased 22% from $45,000 in Q391 to $35,000 in Q392, and decreased 20% from $132,000 in the nine months ended June 30, 1991, to $105,000 in the nine months ended June 30, 1992, because the Company's basis in its depletable and depreciable assets has been lower in the current fiscal year than in the previous fiscal year, and because the Company has reduced the rate at which its reserves are declining.

Net earnings increased from a net loss of $16,000 in Q391 to net earnings of $50,000 in Q392, and declined from net earnings of $247,000 in the nine months ending June 30, 1991, to net earnings of $41,000 in the nine months ending June 30, 1992. Excluding hedging activity, other income, and the bonus payment to the Company's President in Q392, net earnings declined from $142,000 in the nine months ended June 30, 1991, to $81,000 in the nine months ended June 30, 1992, principally because of unusually high workover expense in the six months ended March 31, 1992.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: July 23, 1992

ALTEX INDUSTRIES, INC.

By: _____

Steven H. Cardin
Chief Executive Officer and
Principal Financial Officer